International Post Corporation

PostNord Interim Report Q2 2023 â€“ weak economy forcing further adjustments

20-07-2023

Net sales totaled SEK 9,812 million (10,037), a decrease of -4 percent (-5) in fixed currency for like-for-like units. Parcel volumes decreased by in all -1 percent (-7). Mail volumes decreased by -14 percent (-12). Operating income (EBIT) totaled SEK -725 million (214). Adjusted operating income (adjusted EBIT) was SEK 135 million (214).

Comments from Annemarie Gardshol, CEO

Second quarter

The Group's sales totaled SEK 9,812 million (10,037), a decrease of -4 percent in fixed currency for like-for-like units. Operating income totaled SEK -725 million (214). Income was charged with a goodwill impairment of SEK -903 million (-) in Norway. Adjusted operating income was SEK 135 million (214). The decrease in the Group's adjusted operating income was attributable above all to our Swedish business, where weakness in the economy led to lower Business-to-Business volumes. In addition, the Group's profitability was adversely affected by continuing high inflation and investments in strategic initiatives.

Mail volumes decreased by -14 percent (-12) while pacel volumes decreased in all by -1 percent (-7). For the first time since the third quarter of 2021, we are recording positive growth in Business-to-Consumer volumes, mainly driven by our popular Varubrev service in Sweden (small parcels to the mailbox).

Our short-term improvement programs are delivering according to plan. The programs combine cost cutbacks in both production and administration with essential adjustments to prices to compensate for higher costs arising from inflation. We also compensated for the major share of the sharp decline in mail volumes over the quarter. We continue to focus on increasing flexibility and productivity throughout our parcel and logistics network. Meanwhile, the adjustment of the mail business continues in pace with the decline in mail volumes. At the end of the quarter, PostNord had approximately 2,000 fewer FTEs (average number of employees) than in the second quarter of 2022.

Large-scale transition to a greener and more digital future

While adapting the organization to the current situation, we are continuing to invest in our customer offering, sustainability and

technology. We are taking the lead in the sector's climate transition through our goal of being fossil-free by 2030. During the quarter, 67 percent of the energy used in our own vehicle fleet was renewable, compared to 64 percent at the end of the first quarter 2023. We have also approved decisions on further investments in both biogas-powered trucks and electric vans for delivery. In addition, PostNord Norway entered into an agreement with Einride on electrification of truck transportation on specific routes. In Sweden, we are trialing AI solutions for smarter parcel sorting and optimal loading at selected terminals. We are engaging in these initiatives in order to reduce our carbon dioxide emissions, to increase efficiency in our logistics chain and production, and to make jobs easier for our employees.

Nordic parcel offering and important changes in the universal service offering in mail
We are continuing to develop our parcel offering with a view to ensuring a competitive offering for the Nordics that serves to make everyday life easier for consumers. At the end of the quarter, we had just over 13,000 distribution points – parcel lockers and service points – in the Nordics.

In the quarter, the Danish government and five opposition parties announced their intention to abolish the universal postal service. The proposal instead was to allow the market to decide who should provide the nationwide postal service in Denmark. The proposal included special arrangements for items for delivery to small islands and the visually impaired, as well as for international mail. The proposal is now to be circulated for consultation and the definitive agreement is expected to be put to a vote by Folketinget, Denmark's parliament, in October. The agreement is expected to enter into force on January 1, 2024. We will return to the issue during the autumn to report on the consequences that the new parliamentary bill is expected to have on our operations.

Source: PostNord

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